

loan, the processor may request and obtain prior written approval from the loanmaking office by executing a Market Authorization for Loan Collateral (form CCC-681-1) to remove a specified quantity of the loan collateral from storage for the purpose of delivering it to a buyer prior to repayment of the loan. Any such approval shall be subject to the terms and conditions set forth in the applicable form and the loanmaking office shall not approve such a request unless the buyer of the sugar agrees to pay CCC an amount necessary to satisfy the processor's loan indebtedness regarding the sugar being sold. Any such approval shall not:

(i) Constitute a release of CCC's security interest in the sugar; or

(ii) Relieve the processor of liability for the full amount of the loan indebtedness, including interest.

(4) If CCC determines, by actual measurement or otherwise, that the actual quantity serving as collateral for a recourse or nonrecourse loan is less than the loan quantity, because of incorrect certification, unauthorized removal, or unauthorized disposition, CCC may call the loan and other outstanding loans. Such determination shall result in the processor being ineligible for recourse loans for the remainder of that crop year and through the next crop year.

§ 1435.107 Loan settlement and foreclosure.

(a) A processor may, at any time prior to loan maturity, redeem all or any part of the loan collateral by paying CCC the applicable principal and interest.

(b) Recourse loan recipients must pay CCC the principal and interest on the loan and redeem their sugar collateral no later than the loan maturity date.

(c) Forfeiture will be accepted as payment in full of the principal and interest due under a nonrecourse loan, applicable to the quantity of sugar delivered, subject to adjustment for polarity, if the processor:

(1) Notifies in writing the appropriate loanmaking office of the processor's intent to forfeit the loan collateral, states the amount of loan collateral intended to be forfeited, and delivers the

notice to the loanmaking office no later than 30 days prior to the maturity date of the loan;

(2) Executes a storage agreement, as CCC prescribes, prior to forfeiture or delivers the loan collateral to a CCC-approved storage facility upon forfeiture; and

(3) Pays the following forfeiture penalty on sugar pledged as collateral at the time of forfeiture:

(i) The penalty for raw cane sugar is 1 cent per pound; and

(ii) The penalty for beet sugar is 1.072 cents per pound; and

(4) Reduces payments owed producers by the producer's share of the aggregate loan forfeiture penalty incurred by the processor. The producer's share of the aggregate loan forfeiture penalty is calculated as the producer's share of the net selling price of the processor's sugar, provided for explicitly or implicitly in the contract between producers and processor, times the aggregate loan forfeiture penalty.

(d) Even though a processor gave notice of intent to forfeit, the processor may, at any time prior to maturity of the nonrecourse loan, redeem the loan collateral in accordance with this section.

(e) CCC shall not accept delivery of sugar in settlement of a nonrecourse loan in excess of:

(1) the amount specified in the notice of intent to forfeit; or

(2) the quantity of sugar which is shown on the note and security agreement minus any quantity that was redeemed or released for removal in accordance with this section.

(f) If the processor does not redeem any amount of the nonrecourse loan collateral and the conditions of paragraph (c) of this section have been fulfilled, the unredeemed nonrecourse loan collateral will, without further CCC or processor action, be deemed to have been forfeited and delivered to CCC in-store at the processor's storage facility on the day following the maturity date of the loan. Title, all rights, and interest to the sugar immediately vests in CCC upon delivery.

(g)(1) CCC may at any time accelerate the date for loan repayment indebtedness, including interest. CCC will give the processor notice of such

acceleration at least 15 days in advance of the accelerated loan maturity date.

(2) In the event of any such acceleration of nonrecourse loans, the required notice of intent to forfeit, as set forth in paragraph (d)(1), may be given at any time prior to the accelerated maturity date.

(h) If a processor's recourse or non-recourse loan indebtedness is not satisfied in accordance with the provisions of this section:

(1) Interest on the processor's indebtedness shall accrue as specified in part 1403 in this chapter and shall accrue until the debt is paid;

(2) CCC may, upon notice, with or without removing the collateral from storage, sell such collateral at either a public or private sale; and

(3) The processor shall be liable for the deficiency if the net proceeds are less than the amount of principal, interest, and any other charges incurred by the CCC.

§ 1435.108 Storage facility requirements.

(a) Sugar forfeited to CCC must be delivered in or to a CCC-approved storage facility.

(1) Eligible storage is any storage facility which:

(i) Meets CCC Standards for Approval of Dry and Cold Storage Warehouses for Processed Agricultural Commodities, Extracted Honey, and Bulk Oils (part 1423 of this chapter); and

(ii) Is placed under a storage contract with CCC.

(2) If the sugar is delivered in or to an ineligible storage facility, the processor is responsible for all costs incurred in moving the sugar to an eligible storage facility.

(b) CCC has the right to inspect loan collateral or CCC-owned sugar and the storage facilities in which the sugar is situated at any time.

(c) Regardless of whether CCC inspected the sugar and storage facility prior to delivery, the processor is liable to CCC for any damages CCC suffers if:

(1) The processor delivers ineligible sugar to CCC; or

(2) The processor delivers sugar into ineligible storage.

§ 1435.109 Processor storage agreement.

(a) By executing a note and security agreement, the processor agrees to store any forfeited loan collateral on behalf of CCC under the terms and conditions specified in this subpart and any storage agreement entered into between CCC and the processor. Should the terms of these regulations and the terms of the storage agreement conflict, the terms set forth in the regulations are applicable.

(b) The storing processor is responsible for maintaining the quality and condition of CCC-owned sugar. The processor is liable to CCC for any damages CCC suffers due to the failure of the processor to load out sugar meeting the criteria set forth in § 1435.104(d). Also, the processor shall store the sugar in the eligible storage where delivered for as long as CCC deems necessary.

(c) If a processor forfeits loan collateral and CCC and the processor fails to enter into a storage contract, the processor is responsible for all costs incurred in moving the sugar to an eligible storage facility.

(d) A processor storing CCC-owned sugar is responsible for all load-out expenses in the event that CCC sells the sugar.

(e) CCC shall make monthly storage payments to the processor for the period of time the processor stores the forfeited sugar. The storage payment rate shall be as CCC and the processor agree, and according to the terms and conditions CCC sets forth when executing a note and security agreement.

§ 1435.110 Miscellaneous provisions.

(a) The regulations issued by the Secretary governing setoffs and withholding set forth at part 3 of this title and part 1403 of this chapter are applicable to the program set forth in this subpart.

(b) A producer or processor may obtain reconsideration and review of determinations made under this subpart in accordance with the regulations at 7 CFR part 780.

(c) Any false certification, including those made for the purpose of enabling a processor to obtain a loan to which it is not entitled, will subject the person